INCOME SECURITY PROGRAMS

January 1998

Overview

Old Age Security
Canada Pension Plan

Human Resources Development Canada
Développement des ressources humaines Canada

Canada

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Canada Pension Plan

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Income Security Programs
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This booklet provides an overview of the income security programs of Human Resources Development Canada. It is intended to give a general description of how the programs operate, who is eligible and how benefits are determined. It is not possible, in the limited space available, to provide a comprehensive inventory of all the details of the complex legislation governing these programs. When questions arise, the reader is urged to consult the relevant acts and regulations or call Human Resources Development Canada free of charge:

1 800 277-9914 English

1 800 277-9915 French

If you have a hearing or speech impairment and you use a TDD/TTY device, please call 1 800 255-4786.

For faster telephone service call Tuesday to Friday during the middle weeks of the month. Please have your social insurance number (SIN) ready.

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Introduction

Canada's social security system has evolved gradually in response to a variety of social, economic and political factors. From modest beginnings in the early decades of this century, a system has developed which consists of universal benefits, social insurance plans, social assistance programs, and a wide array of health and social services.

Under the Canadian constitution, the federal and provincial governments share the responsibility for social security. Both play important roles in the planning, administration, delivery and financing of income security, health and social service programs.

In the field of income security, Human Resources Development Canada (HRDC) administers the following two federal government programs which provide financial benefits directly to individuals:

- the Old Age Security program (which includes the Guaranteed Income Supplement and the Spouse's Allowance); and
- the Canada Pension Plan.

HRDC, through the Canada Employment Insurance Commission, is responsible for the Employment Insurance program. Other federal agencies involved in income security include Revenue Canada which collects Canada Pension Plan contributions and delivers the Child Tax Benefit; and the Department of Veterans Affairs which is responsible for pensions and allowances for veterans and their dependents.

Provincial and territorial governments are responsible for social assistance programs which ensure minimum levels of income to people in need. The provincial and territorial authorities determine the conditions of eligibility and the amount of benefits for these programs. These authorities also

have jurisdiction over Workers' Compensation plans which provide benefits in case of injury or death occurring at work. Several provinces provide income support to seniors by supplementing the benefits from the federal Old Age Security program.

The federally administered Canada Pension Plan operates in nine Canadian provinces and the two territories. The Canada Pension Plan allows a province not to be part of the federal pension plan if it sets up a comparable program. Quebec, for example, has established the Quebec Pension Plan which operates in that province in place of the Canada Pension Plan. The two plans have similar coverage and benefits.

All information collected from clients of Income Security Programs is considered private and confidential, and is legally protected by the *Old Age Security Act,* the Canada Pension Plan and the *Privacy Act.* You may request access to your file by communicating directly with Human Resources Development Canada.

If you need more information on the Old Age Security program and the Canada Pension Plan, please call Human Resources Development Canada free of charge at 1 800 277-9914 English or 1 800 277-9915 French.

If you have a hearing or speech impairment and use a TDD/TTY device, please call 1 800 255-4786.

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Old Age Security Program

The Old Age Security (OAS) program is the cornerstone of Canada's retirement income system. Benefits include the basic OAS pension, the Guaranteed Income Supplement (GIS) and the Spouse's Allowance (SPA). After briefly describing the program's history and overall features, each of the specific benefits is described in turn.

Legislative history: The *Old Age Security Act* came into force in 1952, replacing legislation from 1927 requiring the federal government to share the cost of provincially run, means-tested old age benefits.

The Act has been amended many times. Among the most important changes have been:

- the drop in age of eligibility from 70 to 65 (1965);
- the establishment of the GIS (1967);
- the introduction of full annual cost-of-living indexation (1972);
- quarterly indexation (1973);
- the establishment of the SPA (1975);
- payment of partial pensions based on years of residence in Canada (1977);
- the inclusion of OAS in international social security agreements (ongoing); and
- the extension of the SPA to all low-income widows and widowers aged 60 to 64 (1985).

Funding: The OAS program is financed from federal government general tax revenues.

Administration: The Income Security Programs Branch of HRDC administers the OAS program through regional offices located in each province and territory. The International Operations Division in Ottawa, as its name suggests, is responsible for benefits stemming from Canada's international social security agreements.

Indexation: All benefits payable under the *Old Age Security Act* are increased in January, April, July and October of each year based on increases in the cost of living as measured by the Consumer Price Index.

Payment outside Canada: Once a full or partial OAS pension has been approved, it may be paid indefinitely outside Canada, if the pensioner has lived in Canada for at least 20 years after reaching 18 years of age. Otherwise, payment may be made only for the month of a pensioner's departure from Canada and for six additional months, after which payment is suspended. The benefit may be reinstated if the pensioner returns to live in Canada and meets all conditions of eligibility.

The GIS and the SPA may be paid outside Canada for only six months following the month of departure from Canada.

Reconsidering and appealing a decision: OAS clients may request an explanation or a reconsideration of any decision that affects their eligibility or the amount of their OAS pension. This request must be made in writing to the Minister of HRDC within 90 days after receiving a decision. If not satisfied with the decision of the Minister, the client may appeal, again within 90 days, to a Review Tribunal. If the ground of appeal is income, the appeal will be referred to the Tax Court of Canada for a decision.

Old Age Security Pension

The OAS pension is a monthly benefit available, if applied for, to anyone 65 years of age or over. OAS residence requirements must also be met. An applicant's employment history is not a factor in determining eligibility, nor does the applicant need to be retired. OAS pensioners pay federal and provincial income tax. Higher income pensioners also repay part or all of their benefit through the tax system.

Eligibility conditions: To qualify for an OAS pension, a person must be 65 years of age or over, and

(1) must be a Canadian citizen or a legal resident of Canada on the day preceding the application's approval; or
(2) if no longer living in Canada, must have been a Canadian citizen or a legal resident of Canada on the day preceding the day he or she stopped living in Canada.

A minimum of 10 years of residence in Canada after reaching age 18 is required to receive a pension in Canada.

Amount of benefits: The amount of a person's pension is determined by how long he or she has lived in Canada, according to the following rules:

A person who has lived in Canada, after reaching age 18, for periods that total at least 40 years, may qualify for a full OAS pension.

A person who has not lived in Canada for 40 years after age 18 may still qualify for a full pension if, on July 1, 1977, he or she was 25 years of age or over, and

(1) lived in Canada on July 1, 1977, or
(2) had lived in Canada before July 1, 1977, after reaching age 18, or
(3) possessed a valid immigration visa on July 1, 1977.

In such cases, a person must have lived in Canada for the 10 years immediately prior to approval of the OAS application. Absences during this 10-year period may be offset if, after reaching the age of 18, the applicant lived in Canada before those 10 years, for a period of time that was at least three times the length of absence. In this case, however, the applicant must also have lived in Canada for at least one year immediately prior to the date of the application's approval. For example, an absence of two years between the ages of 60 and 62 could be offset by six years of residence after age 18 and before reaching age 55.

Absences from Canada: Canadians working outside Canada for Canadian employers, such as the armed forces and banks, may have their time working abroad counted as residence in Canada. To qualify, the person must have returned to Canada within six months of ending employment or have turned 65 years old while still employed. Both proof of employment from the employer as well as proof of physically returning to Canada, if only for one day, must be provided. Under certain conditions this benefit may also apply to spouses and dependents and Canadians working abroad for international organizations.

A person who cannot meet the requirements for the full OAS pension may qualify for a partial pension. A partial pension is earned at the rate of 1/40th of the full monthly pension for each full year lived in Canada after his or her 18th birthday. Once a partial pension has been approved, it may not be increased as a result of added years of residence in Canada.

Late applicants of the OAS pension as well as the GIS and SPA may receive retroactive payments. OAS, GIS and SPA payments may be made for up to one year before the claim was made provided all conditions of eligibility were met.

OAS clients can request that their OAS benefits be cancelled. They can have them reinstated at a later date. However, no retroactive payments will be permitted.

Guaranteed Income Supplement

The GIS is a monthly benefit paid to residents of Canada who receive a basic, full or partial OAS pension and who have little or no other income. GIS payments may begin in the same month as OAS pension payments. Recipients must re-apply annually for the GIS benefit. Thus, the amount of monthly payments may increase or decrease according to reported changes in a recipient's yearly income. Unlike the basic OAS pension, the GIS is not subject to income tax. The

GIS is not payable outside Canada beyond a period of six months, regardless of how long the person lived in Canada.

Eligibility conditions: To receive the GIS benefit, a person must be receiving an OAS pension. The yearly income of the applicant or, in the case of a couple, the combined income of the applicant and spouse, cannot exceed certain limits.

Exception: Sponsored immigrants from countries with which Canada has agreements are no longer eligible for GIS and SPA during their sponsorship period (up to a maximum of 10 years) unless he/she:

- has 10 years of residence in Canada after the age of 18; or
- had resided in Canada as a Canadian citizen or permanent resident on or prior to March 6, 1996 and will become eligible for benefits January 1, 2001 or earlier; or
- was receiving benefits under the *Old Age Security Act* for the month of March 1996 or earlier.

Amount of benefits: The amount of the GIS to which a person is entitled depends on his or her marital status and income.

Income for GIS purposes is defined the same way as it is for federal income tax purposes, with a few specific exceptions – the most important of which is OAS pension income. Income, therefore, includes any other money which a pensioner receives, such as an earnings-related retirement pension, foreign pensions, interest, dividends, rents or wages.
If married or living in a common-law relationship, the combined income of the pensioner and spouse must be taken into account.

Generally, income earned in the previous calendar year is used to calculate the amount of benefits paid in a fiscal year beginning April 1. However, if a pensioner or spouse has retired or has a loss of pension income, an income estimate for the current calendar year may be substituted for the income of the preceding calendar year.

There are two basic rates of payment for a maximum GIS. The first applies to single pensioners – including widowed, divorced or separated persons; and to married pensioners whose spouses do not receive either the basic OAS pension or the SPA. The second applies both to legally married couples and couples living in common-law relationships, where both spouses are pensioners. The GIS single rate is higher than the GIS married rate. However, each spouse in a couple is entitled to a benefit, so the combined benefits for a couple are higher than those for a single person.

If a person is receiving a partial OAS pension, the maximum GIS may be increased by the difference between that partial pension and the full OAS pension.

For a single, widowed, divorced or separated pensioner, the maximum monthly supplement is reduced by $1 for each $2 of other monthly income.

If both spouses in a couple are receiving the OAS pension, the maximum monthly supplement of each pensioner is reduced by $1 for every $4 of their other combined monthly income.

There is one exception to these two basic rates – for a couple in which only one spouse is a pensioner and the other is not eligible for either the basic OAS pension or the SPA. In this case, the pensioner can receive the GIS at the higher rate paid to those who are single. Moreover, the maximum monthly supplement is reduced by $1 for every $4 of the couple's combined monthly income, excluding, as usual, the pensioner's OAS benefit. Also, the first reduction of $1 is made only when the combined yearly income of the couple reaches 12 times the basic monthly OAS pension plus $48.

Non-sponsored immigrants: Newcomers with less than 10 years of residence in Canada who qualify for OAS under a social security agreement will have their GIS/SPA entitlement

grow gradually over 10 years – 1/10th of the benefit for each year of residence. This includes:

- persons who have not resided in Canada for 10 years after the age of 18 and who are not receiving benefits for the month of March 1996 or earlier;
- newcomers who did not reside in Canada as Canadian citizens or permanent residents before March 7, 1996;
- persons who are already residing or had resided in Canada as Canadian citizens or permanent residents but who do not qualify for benefits until February 2001 or later.

Spouse's Allowance

The SPA is paid monthly. It is designed to recognize the difficult circumstances faced by many widowed persons and by couples living on the pension of only one spouse.

Recipients must re-apply annually. Benefits are not considered as income for income tax purposes. The SPA is not payable outside Canada beyond a period of six months, regardless of how long the person lived in Canada.

Eligibility conditions: The SPA may be paid to the spouse of an OAS pensioner, or to a widow or widower. To qualify, an applicant must be between the ages of 60 and 64 and must have lived in Canada for at least 10 years after turning 18. An applicant must also have been a Canadian citizen or a legal resident of Canada on the day preceding the application's approval. To qualify, the combined yearly income of the applicant and the pensioner spouse, or the annual income of the surviving spouse, cannot exceed certain limits. For a couple, OAS and GIS benefits are not included in their combined yearly income.

The SPA stops when the recipient becomes eligible for an OAS pension at age 65, if the beneficiary leaves Canada for more than six months, or dies. For a couple, the SPA stops if the pensioner spouse ceases to be eligible for GIS or if the spouses separate or divorce. In addition, the SPA stops if a widow or widower remarries.

Exception: A sponsored spouse of an OAS pensioner with less than 10 years of residence in Canada after reaching age 18 is not eligible for the SPA benefit for the period of his or her sponsorship, up to a maximum of 10 years, unless he or she:

(1) was receiving a pension in March 1996 or before; or
(2) was residing in Canada or had resided in Canada as a Canadian citizen or permanent resident before March 7, 1996 and will receive a pension in January 2001 or before.

Amount of benefits: The SPA is an income-tested benefit. The maximum amount payable to the spouse of a pensioner is equal to the combined full OAS pension and the maximum GIS at the married rate. The maximum amount for a widowed person is somewhat higher. The maximum monthly SPA is reduced by $3 for every $4 of the beneficiary's monthly income for a widowed spouse or the couple's combined monthly income. This happens until the OAS-equivalent is reduced to zero. Then, for a couple, both the GIS-equivalent portion of the SPA and the pensioner's GIS are reduced by $1 for every additional $4 of the couple's combined monthly income. For a widow or widower, the GIS-equivalent portion is reduced by $1 for every additional $2 of monthly income.

Non-sponsored immigrants: The SPA benefit is prorated in the case of a person who has not resided in Canada for 10 years after reaching age 18 and:

(1) was not residing or had not resided in Canada before March 7, 1996 as a Canadian citizen or permanent resident; or

(2) was residing in Canada on that date or had resided in Canada prior to that date as a Canadian citizen or permanent resident but will not receive a pension in January 2001 or before.

Entitlement will be established at the rate of 1/10th of the benefit for each year of residence in Canada after reaching age 18 and will be built up by an additional 1/10th for each additional year of residence in Canada.

Seniors Benefit

Proposed changes to OAS: In the March 1996 budget, the federal government announced that it would introduce legislation for a new Seniors Benefit. The Benefit is intended to replace the existing Old Age Security and Guaranteed Income Supplement benefits. It will be tax free, indexed to inflation and incorporate existing age and pension income tax credits.

Canada Pension Plan

The CPP is a contributory, earnings-related social insurance program. It ensures a measure of protection to a contributor and his or her family against the loss of income due to retirement, disability and death. The plan operates throughout Canada. Quebec has its own similar but not identical program, the Quebec Pension Plan (QPP), which is closely associated with the CPP. The operation of the two plans is coordinated through a series of agreements between the federal and Quebec governments. Benefits from either plan are based on pension credits accumulated under both, as if only one plan existed.

Benefits paid by the CPP are considered as income for federal and provincial income tax purposes.

Legislative history: The CPP was enacted in 1965 and came into force on January 1, 1966. The legislation has been amended several times. Among the most important amendments have been:

- the introduction of full annual cost-of-living indexation;
- the availability of the same benefits to male and female contributors as well as to their surviving spouses and dependent children;
- the elimination of the retirement and employment earnings test for retirement pensions at age 65;
- the exclusion of periods of zero or low earnings while caring for a child under the age of seven; and
- the division of pension credits (credit splitting) between spouses if there is a marriage breakdown.

In January 1987, several major new provisions came into effect. These included:

- flexible retirement benefits payable as early as age 60;

- increased disability pension;
- continuation of survivor's benefits if the spouse remarries;
- sharing of retirement pensions between spouses; and
- expansion of credit splitting to cover the separation of married or common-law spouses.

In 1991, legislation was passed to assist those people who were denied a credit split as a result of provisions contained in a spousal agreement entered into prior to June 4, 1986. The amendment provides that applicants who were divorced or whose marriage was annulled on or after January 1, 1987 will be credited with the same amount of credits which he or she would have received otherwise.

In 1992, three major amendments came into effect – a new 25-year schedule for employer-employee contribution rates was established, children's benefits were increased and provision was made for individuals who were denied disability benefits because of late application.

In 1998, the CPP moved from pay-as-you-go financing to fuller funding. Contribution rates were increased and a new investment policy was introduced.

Coverage: The CPP covers nearly all employed and self-employed persons in Canada (except Quebec) who are between the ages of 18 and 70 and who earn more than a minimum level of earnings in a calendar year. This minimum level, known as the Year's Basic Exemption (YBE), is frozen at $3,500.

Funding: The CPP is financed through contributions from employees, employers and self-employed persons as well as interest from the Canada Pension Plan Fund.

The CPP Investment Board will operate at arm's length from the federal and provincial governments. The Board will use

qualified professionals to invest CPP funds in financial markets. The Board will broadly follow the same investment rules as other pension plans. It will be accountable to the public and report its investment results regularly.

Amount of contributions: Contributions are made on the portion of an individual's annual earnings above the YBE and up to a ceiling known as the Year's Maximum Pensionable Earnings (YMPE). The YMPE is linked directly with the average Canadian wage.

To ensure the plan is financially healthy, contribution rates will continue to rise in steps to a rate of 9.9 per cent. Federal and provincial finance ministers must review and update this 25-year schedule every three years.

Record of earnings: A record of earnings is an account of an individual's earnings and contributions to the CPP. Contributors should automatically receive a Statement of Contributions every few years. However, they can ask for a statement once a year.

Amendment formula: The legislation governing the CPP contains a unique formula for making major changes to the plan. Such changes must be approved not only by the federal Parliament but also by the governments of at least two thirds of the provinces with at least two thirds of the population of Canada.

Administration: The Income Security Programs Branch of HRDC administers the CPP through regional offices located in each province and territory. The International Operations Division in Ottawa is responsible for benefits that fall under Canada's international social security agreements.

Indexation: All CPP benefits, except for the death benefit, are adjusted in January each year to reflect increases in the cost of living as measured by the Consumer Price Index.

Payment outside Canada: All benefits under the CPP are payable in Canadian dollars no matter where the beneficiary lives, whether in Canada or abroad.

Reconsidering and appealing a decision: CPP clients may request an explanation or a reconsideration of any decision that affects their eligibility or the amount of their CPP benefit. The request for reconsideration must be made in writing to the Minister of HRDC within 90 days after receiving a decision. If a client disagrees with the decision of the Minister, that client may appeal, again within 90 days, to a Review Tribunal. A request to appeal a decision of the Review Tribunal may be made to the Pension Appeals Board (PAB) within 90 days by the Minister or the client. The PAB can either refuse or grant Leave to Appeal.

Each of these stages in the reconsideration and appeal process may take many months to complete and has very specific requirements of both the client appealing and the Minister. Following is a more detailed description of each stage:

Reconsideration – is a written request, by the client to the Minister of HRDC to review a decision. The client must submit the request for reconsideration within 90 days of receiving the decision. This is an opportunity for the client to ensure that all necessary information and supporting documentation to substantiate the claim are submitted to the Minister. A review of the file is carried out by a government officer who was not involved in making the initial decision.

First-level appeal – if a client disagrees with the reconsideration, that client may then submit a written request, within 90 days of receiving the decision, to the Commissioner of the Canada Pension Plan Review Tribunals. The Review Tribunal is an independent body and does not act on behalf of the client, the Minister or any other party to the appeal. Each Review Tribunal consists of three qualified persons selected by the Commissioner of Review Tribunals.

The chairperson is always a member of the legal profession. If a disability benefit is involved, at least one of the other members is a health care professional.

Second-level appeal – is a written request made by the Minister or the client, within 90 days of receiving the decision of the Review Tribunal, to the PAB for Leave to Appeal. The Board consists of a panel of judges (normally three) of the Federal Court or a Provincial Court. If Leave to Appeal is granted, the Board will meet to hear the appeal in the area in which the client lives. The decision of the PAB is final, but subject to judicial review by the Federal Court of Appeal.

Retirement pension

Eligibility conditions: Any person who has made at least one valid contribution to the CPP is eligible to receive a monthly retirement pension after his or her 60th birthday. People making valid contributions to the CPP and to the QPP are considered dual contributors. Dual contributors who, at the time of application, live outside Quebec receive benefits from the CPP. The CPP then bills the QPP for its share of the benefit payment. The reverse also occurs. Dual contributors who, at the time of application, live in Quebec or who lived in Quebec just before leaving Canada to live in another country receive benefits from the QPP.

Before 1987, a person could not receive a retirement pension before the age of 65. Since 1987, a retirement pension may be paid at age 60. However, the contributor must have wholly or substantially ceased pensionable employment. Contributors are considered to have substantially ceased pensionable employment if their annual earnings from employment or self-employment do not exceed the maximum retirement pension payable at age 65 for the year the pension is claimed. When contributors turn 65 they do not have to stop working to

receive their retirement pension. Once clients begin receiving their retirement pensions they can no longer contribute to the CPP if they return to work.

Amount of benefits: A retirement pension payable to a person at age 65 is a monthly benefit equal to 25 per cent of a contributor's average monthly pensionable earnings during that person's contributory period.

An individual's contributory period is defined as the period:

(a) starting on January 1, 1966, or when the contributor reached 18 years of age, whichever is later, and

(b) ending, usually, when the individual takes a retirement pension or reaches age 70 (whichever occurs first).

However, any month during which a contributor was considered to be disabled according to the terms of the CPP or the QPP is excluded from the contributory period. If a client received a disability pension after age 60, his or her retirement pension will be calculated using the YMPE at the time he or she became disabled. The pension is indexed to the Consumer Price Index.

Certain periods of low or zero earnings – up to 15 per cent of an individual's contributory period – may be excluded in calculating average monthly pensionable earnings. This drop-out period is intended to compensate for periods of unemployment, illness, schooling, and so on.

Months of low or zero earnings while caring for a child under the age of seven may also be excluded from the contributory period. This provision ensures that reduced earnings during child-rearing years will not result in lower future pension benefits. This provision applies to those who received Family Allowances benefits or to the spouses of Family Allowances recipients. It also applies to those who are eligible for the Child Tax Benefit.

If a person continues to work and contribute to the CPP after turning 65 and his or her earnings are higher than they were previously, those earnings can be substituted for similar periods of earnings before age 65. For example: the person works for two years after turning 65 and contributes at the maximum level. Those two years of contributions can replace any two years of low or no earnings before the contributor's 65th birthday.

The amount of a retirement pension beginning before age 65 is adjusted downward by a factor of 0.5 per cent for each month between the beginning of the pension and the month after the beneficiary's 65th birthday. Similarly, the amount of a retirement pension between age 65 and 70 is adjusted upwards by the same factor for each month between the month after the 65th birthday and the month for which the first payment is made. No adjustment, however, is made for any month after the month of the 70th birthday. Thus, a maximum adjustment of 30 per cent, up or down, may be made to the retirement pension.

Claimants who apply for a retirement pension after reaching age 65 may be paid retroactively for up to 12 months, or may choose the adjusted pension rate.

Assignment of retirement pensions: Spouses in a continuing marriage and partners in a common-law relationship may apply to receive an equal share of the retirement pension earned by both parties during their life together. Only one spouse has to apply for this assignment of pensions between spouses. Both spouses must be at least 60 years of age and have applied for their retirement pensions. Spouses can cancel their assignment of benefits and have them reinstated at a later date.

However, an assignment of pensions may not take place if there has been an agreement between the parties that there is to be no pension assignment and that this agreement is binding on the Minister.

Disability pension

Eligibility conditions: To receive a disability pension, a contributor must have made sufficient contributions to the plan, must be disabled according to the terms of the CPP legislation, must be under the age of 65 and not in receipt of a retirement pension, and must apply in writing.

A contributor is considered to be disabled under CPP if he or she has a physical or mental disability which is both severe and prolonged. "Severe" means that the person's condition prevents him/her from working regularly at any job. "Prolonged" means that the condition is long term or may result in death.

If a person became disabled after December 31, 1997, he or she must have contributed to the CPP in four of the last six years. During that period, he or she must have earned at least 10 per cent of each Year's Maximum Pensionable Earnings (YMPE). In 1998, the YMPE is $36,900. The YMPE changes each year. There are provisions which may help late applicants qualify.

The CPP cannot pay a disability pension unless the CPP received an application before the contributor died.

The contributory period of a person with a disability ends with the month in which that person is found to be disabled.

Amount of benefits: A disability pension is a monthly benefit which consists of a flat-rate component (an amount, unrelated to previous earnings, paid to all beneficiaries) and an earnings-related component. The earnings-related component is equal to 75 per cent of a retirement pension, calculated as if the contributor became 65 years of age in the month when the disability pension became payable.

A disability pension begins in the fourth month after the month a person is considered disabled by CPP. It is payable until the beneficiary either:

- recovers from the disability;
- receives a CPP early retirement pension;
- turns age 65; or
- dies.

When the recipient of a disability pension reaches age 65, the pension is automatically converted to a retirement pension.

The CPP files of disability clients are periodically re-examined to determine if recipients continue to be eligible for their disability benefit. This is called "reassessment" and results in either a confirmation of continuing eligibility or a decision to terminate benefits.

Vocational rehabilitation: CPP provides for vocational rehabilitation if:

- with a vocational rehabilitation program, the person would likely be able to return to work; and
- the person is receiving a CPP disability pension; and
- the person is willing to undergo a vocational rehabilitation program; and
- the person's medical condition is stable and his or her doctor approves.

Benefits for children of disabled contributors

Eligibility conditions: A benefit may be paid to or on behalf of the child of a disability pension recipient if that child is:

(1) under age 18, or
(2) between the ages of 18 and 25, and in full-time attendance at a recognized institution. Benefits are suspended if the child is no longer attending school full-time, but may be reinstated if schooling is resumed.

Amount of benefits: The monthly benefit for each child is a flat-rate amount. This amount does not depend on a parent's past earnings.

Upon application, payment begins the same month in which the disability pension becomes payable to the contributor or the month after the month in which the child was born or adopted. Payment stops if the contributor is no longer considered eligible for a disability pension, or when the contributor's disability pension is converted to a retirement pension, or if the child no longer meets the eligibility conditions described above, or if the child dies.

Children may receive up to two disabled contributors child's benefits and/or benefits for children of deceased contributors, if both parents are deceased and/or disabled, or if one parent is deceased and the other is disabled. To be eligible both parents must have made the required contributions.

Surviving spouse's pension

Eligibility conditions: A spouse of a deceased contributor or a person of the opposite sex who lived in a marital relationship with a contributor before his or her death may be eligible for a survivor's pension. To qualify, the deceased must have contributed to the CPP during at least one third of the number of calendar years in his or her contributory period. If the deceased's contributory period was less than nine years, then at least three years' worth of CPP contributions are needed. If the contributory period was more than 30 years, at least 10 years' worth of contributions are required.

Note: If the contributor dies before reaching age 65, the contributory period ends in the month of death.

To qualify for a benefit, the surviving spouse must:

(1) be 45 or more years of age, or,
(2) in the case of a surviving spouse who has not reached the age of 45,
    (a) have, at the time of the death of the contributor, reached 35 years of age; or
    (b) have been, at the time of the death of the contributor, a surviving spouse with dependent children; or
    (c) be disabled.

If the contributor was a dual contributor and the surviving spouse lives in Quebec, the surviving spouse is eligible for a survivor's pension under the age of 35.

Amount of benefits: The pension payable to a surviving spouse aged 65 or over is equal to 60 per cent of the retirement pension which the deceased contributor could have received at age 65. If the contributor died before turning 65, a retirement pension is calculated as if the contributor had become 65 in the month of death.

The pension payable to a surviving spouse under age 65 is composed of two parts – a flat-rate component and an earnings-related portion. The flat-rate component of the surviving spouse's pension is considerably smaller than the flat-rate portion of a disability pension. The earnings-related portion of the spouse's pension is equal to 37.5 per cent of the actual or calculated retirement pension of the deceased contributor.

If a surviving spouse is between the ages of 35 and 45, has no dependent children and is not disabled, the survivor's pension is reduced by 1/120th for each month his or her age is less than 45 at the time the contributor died. If the surviving spouse is under the age of 35, a surviving spouse's pension is not available unless the spouse is disabled or has dependent children.

If a surviving spouse ceases to be disabled or to have dependent children in his or her care and is between 35 and 45 years of age, the pension is reduced. If the survivor is under 35 years of age, the pension is suspended until he or she turns 65.

Before January 1, 1987, a surviving spouse's pension stopped if the recipient remarried. This rule has been cancelled. Benefits previously terminated may now be reinstated on application.

Only one survivor's pension can be paid to a surviving spouse although he or she may have been widowed more than once. In such a case, the highest of the pensions is paid.

Combined benefits

People who are receiving a surviving spouse's pension may also have contributed to the CPP on the basis of their own earnings. Thus, they may be entitled to a retirement or disability pension in their own right. In such cases, the surviving spouse receives a combined pension which is calculated as follows:

(1) If the survivor is under age 65, one flat-rate benefit is payable. Thus, if the survivor also receives a disability pension, the larger of the two flat-rate amounts is paid.

(2) In addition, any earnings-related benefits or benefit components may be added to each other, but their total may not exceed:

  (a) in the case of a combined survivor/disability benefit, 75 per cent of the maximum retirement pension payable for the year in which the contributor becomes eligible for the second pension, and

  (b) in the case of a combined survivor/retirement benefit, the maximum retirement pension payable for the year in which the contributor becomes eligible for the second pension.

(3) If a person takes early or late retirement, the rate adjustment to the retirement pension will be made only after the above rules have been applied to determine the survivor's pension.

The total amount of the combined survivor/disability benefit cannot exceed the maximum disability pension payable in the year in which the person becomes eligible for the second benefit.

Incapacity

An application for CPP benefits or a request for a credit split can be made "retroactively" if the applicant was considered unable to apply because of a severe incapacity. A person may be considered to be incapacitated in this case if incapable of forming or of expressing the intention to make such an application or request. A decision on incapacity must be made by CPP.

Credit splitting

Since 1978, the CPP has contained a provision allowing CPP credits to be divided between ex-spouses after a divorce or legal annulment. In January 1987, the provision was broadened to include couples who separate from a legal or common-law union.

A division of credits results in a permanent amendment to each spouse's record of earnings and may affect current or future benefits. CPP credits are divided for each year the couple lived together. Former spouses may obtain a credit split even if they have remarried.

Originally, there was a three-year time limit to apply for a credit split. As of January 1987, there is no time limit in the case of divorce or annulment. Separated spouses must have

been living apart for at least one year before an application can be submitted. If one of the former spouses dies, the application must be submitted within three years of the date of death. Common-law spouses must have been living apart for at least one year before an application can be submitted unless one of the former spouses dies in that year. An application must be submitted within four years of the date the former spouses began living apart.

A credit split is mandatory by law in cases of divorce once the Minister of HRDC receives the required documentation. Once a request for credit splitting is made in such cases, it cannot be withdrawn. Separated couples who were married or in a common-law relationship can withdraw their application within 60 days after being notified of a division. No division will be made if it results in a loss of credits to both spouses.

Documentation required for credit splitting includes proof of marital status, dates of birth of both spouses, social insurance numbers and evidence as to the period(s) of cohabitation.

Spousal agreements must also be submitted. Some agreements which contain a general property waiver or specific waivers of pension credits can prevent a division of pension credits, particularly if they were signed before June 4, 1986 or if they were signed in Saskatchewan, British Columbia or Quebec. Most waivers, however, do not prevent a division of pension credits.

Benefits for children of deceased contributors

Eligibility conditions: A benefit may be paid for the child of a deceased contributor if the application is made in writing and if contributions have been made for the minimum qualifying period, similar to that described on page 27 for a surviving spouse's pension, and the child is:

(a) under age 18, or

(b) between the ages of 18 and 25 and in full-time attendance at a recognized institution. Benefits are suspended if the child is no longer attending school full-time, but may be reinstated if schooling is resumed.

Amount of benefits: Children may receive up to two disabled contributors benefits and/or benefits for children of deceased contributors if both parents are either deceased or disabled or if one parent is deceased and the other is disabled. To be eligible both parents must have made the required contributions.

Payment of a benefit for children of deceased contributors begins in the month after the month when the contributor died. Payment stops if the child no longer meets the eligibility conditions described above, or if the child dies.

Death benefit

Eligibility conditions: A death benefit may be paid to the estate of a deceased contributor if contributions to the CPP were made for the minimum qualifying period. This minimum period is the same as for a surviving spouse's pension (see page 27). The death benefit is paid where there is no will or estate to the person responsible for funeral expenses, the surviving spouse or the next of kin in that order.

Amount of benefit: The death benefit is a lump-sum payment equal to six times the monthly retirement pension of the deceased contributor up to a maximum of $2,500.

Reciprocal Social Security Agreements

Reciprocal social security agreements allow for the coordination of two countries' social security programs and make social security benefits portable between countries.

Old Age Security

The *Old Age Security Act* permits the inclusion of the OAS program in reciprocal social security agreements. Such agreements enable people who live or who have lived in the other contracting country to add those periods of residence abroad (or in some cases periods of contributions) to periods of residence in Canada to satisfy the minimum eligibility requirements for the basic OAS pension and the SPA. For example, someone who has lived in Canada for less than the 10 years required to receive a partial OAS pension in Canada would be able to use periods of residence or contributions in the other country to meet the 10-year requirement. A similar provision would apply for someone who has lived in Canada for less than the 20 years needed to receive a partial OAS pension outside the country.

Once eligibility for the pension has been established, the amount of the OAS pension payable is equal to 1/40th of a full OAS pension for each year of actual residence in Canada after reaching age 18. Under some agreements, benefits may be based only on periods of residence or contributions after specific dates. Residents who have little or no other income may receive the GIS. The GIS is not payable outside Canada beyond a period of six months, regardless of how long the person lived in Canada.

Canada Pension Plan

Agreements are designed to avoid duplicate coverage – that is, the need to contribute to both the CPP and the comparable program of the other country for the same work.

Agreements may help people to qualify for disability, survivor's and death benefits under the CPP. As noted earlier in this booklet, each of these benefits has minimum qualifying conditions. An agreement may allow periods of contribution to the other country's social security system (or in some cases periods of residence abroad) to be added to periods of contribution to the CPP in order to meet these conditions. Once eligibility has been established, the amount of benefits is based on actual contributions to the CPP.

The CPP retirement pension is not included in agreements since it is payable to anyone who has made at least one valid contribution. It is not necessary, therefore, to use periods of contribution in the other country to establish eligibility for the retirement benefit.

Provincial Social Security Programs

Canada's reciprocal social security agreements contain a provision which allows provinces and territories to conclude understandings with other countries concerning social security programs under their jurisdiction (for example, the QPP or Workers' Compensation plans).

Social Security Programs of another country

In many countries, nationality is an important criterion in determining eligibility for social security benefits. Non-citizens may be required to meet special conditions before they can receive a pension, and the payment of benefits to non-citizens living abroad may be severely restricted or even

prohibited. Through a social security agreement, citizens and non-citizens become entitled to those benefits on the same conditions as the citizens of the other country. Most important, Canadian residents may start to receive benefits from the other country.

Most social security programs require contributions during a minimum number of years before a benefit can be paid. There may also be requirements for contributions in the period just before application for a benefit. People who have contributed to the programs of another country may not have sufficient periods of contributions to meet such requirements. Under an agreement, periods of residence in Canada and/or periods of contributions to the CPP may be used to satisfy the eligibility conditions of the other country's social security system.

Protection of Client Information

Client information is protected by the Canada Pension Plan legislation, the *Access to Information Act* and the *Privacy Act.* Information may be made available to a federal or provincial institution or a non-governmental organization to administer the CPP. Information may also be made available to specified federal departments or provincial institutions to administer a federal or provincial law, or to foreign institutions under a social security agreement.

Protection under the *Old Age Security Act* and the Canada Pension Plan

Under the *Old Age Security Act* and the CPP, the information pertaining to an individual applicant or beneficiary is privileged and cannot be communicated to anyone not legally entitled to such information. All client information gathered by Human Resources Development Canada staff is protected, and cannot be disclosed to a third party without the client's consent, except if disclosure is allowed by law for the purpose of administering the *OAS Act* and the CPP.

Privacy Act

The *Privacy Act* also protects the privacy of individuals with respect to personal information about themselves held by a government institution. It also provides individuals with the right of access to such information. The main principle underlying the *Privacy Act* is that individuals should be entitled to see the personal information held about them by government institutions, to know how that information is used, and to have some measure of control over the use and disclosure of that information.